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**Economic Development,  
Agriculture & Trade Committee**

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**HB 2116**

**Brief Description:** Providing a livestock nutrient tax exemption.

**Sponsors:** Representatives Pettigrew, Newhouse and Linville.

**Brief Summary of Bill**

- Extends the existing retail sales tax exemption for dairy nutrient management equipment and facilities to certain livestock operations.

**Hearing Date:** 2/25/05

**Staff:** Meg Van Schoorl (786-7105).

**Background:**

In 1998, the Legislature enacted the Dairy Nutrient Management Act (Act) to address water quality concerns associated with dairy farm nutrients. The legislation required that each dairy farm in the state develop and implement a nutrient management plan that met standard specifications by December 31, 2003. Plans included both physical and management elements. Physical elements included items such as pumps, pipes, spray guns, lagoons, concrete pads and structures, gutters and downspouts.

In 2001, the Legislature approved a retail sales and use tax exemption to help dairy farmers comply with the Act. Once a dairy nutrient management plan has been certified as fully implemented, the purchase of services, replacement equipment and parts necessary to maintain the plan are exempted from the retail sales and use tax.

Since 2003, there have been statutory and rule changes at the state and federal levels that broaden dairy nutrient management requirements to also encompass certain livestock operations. In February 2003, the U.S. Environmental Protection Agency (EPA) adopted rules affecting how animal feeding operations (AFOs) and concentrated animal feeding operations (CAFOs) would be regulated for the purposes of controlling water pollution. These rules expanded the type and number of CAFOs required to obtain National Pollutant Discharge Elimination System (NPDES) permits. In response to the federal rule changes, the Department of Ecology (DOE) is developing a general CAFO NPDES permit to become effective in spring 2005. The general permit will require CAFOs to develop and implement nutrient management plans by December 31, 2006.

**Summary of Bill:**

Once a livestock nutrient management plan has been certified as fully implemented, the purchase of services, replacement equipment and parts necessary to maintain the plan are exempt from the retail sales tax. Sales of tangible personal property that become an ingredient or component of the equipment and facilities are also exempted.

"Livestock nutrient management equipment and facilities" are machinery, equipment and structures used to handle and treat livestock manure. Examples of such equipment and machinery include aerators, agitators, alley scrapers, augers, dams, gutter cleaners, loaders, lagoons, pipes, pumps, separators, and tanks.

"Eligible persons" are those who hold an NPDES permit and have a certified livestock nutrient management plan by April 14, 2006. The Department of Agriculture must give the Department of Revenue (DOR) a list of persons eligible for the tax exemption. Upon application by an eligible person, the DOR must provide an exemption certificate, which must be given to the seller in order for the eligible person to receive the exemption. The seller must retain a copy for the files.

**Appropriation:** None.

**Fiscal Note:** Requested on February 20, 2005.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.